

**2001 DRAFTING REQUEST****Senate Amendment (SA-SB55)**Received: **06/08/2001**Received By: **champra**Wanted: **Today**

Identical to LRB:

For: **Legislative Fiscal Bureau**By/Representing: **Runde (DL)**This file may be shown to any legislator: **NO**Drafter: **champra**

May Contact:

Addl. Drafters:

Subject: **State Finance - miscellaneous**

Extra Copies:

Submit via email: **NO**

Requester's email:

---

**Pre Topic:**

LFB:.....Runde (DL) -

---

**Topic:**

Tobacco securitization

---

**Instructions:**

See Attached.

---

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 06/08/2001	hhagen 06/08/2001	jfrantze 06/08/2001	_____	lrb_docadmin 06/09/2001		
/2	champra 06/10/2001	csicilia 06/10/2001	kfollet 06/10/2001	_____	lrb_docadmin 06/10/2001		

06/10/2001 11:09:03 AM

Page 2

FE Sent For:

**<END>**

06/09/2001 10:21:10 AM

Page 1

**2001 DRAFTING REQUEST****Senate Amendment (SA-SB55)**

Received: 06/08/2001

Received By: champra

Wanted: Today

Identical to LRB:

For: Legislative Fiscal Bureau

By/Representing: Runde (DL)

This file may be shown to any legislator: NO

Drafter: champra

May Contact:

Addl. Drafters:

Subject: State Finance - miscellaneous

Extra Copies:

Submit via email: NO

Requester's email:

---

**Pre Topic:**

LFB:.....Runde (DL) -

---

**Topic:**

Tobacco securitization

---

**Instructions:**

See Attached.

---

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 06/08/2001	hhagen 06/08/2001	jfrantze 06/08/2001	_____	lrb_docadmin 06/09/2001		

FE Sent For:

kjlf  
6/10

kjlf/pg  
6/10

<END>

**2001 DRAFTING REQUEST****Senate Amendment (SA-SB55)**Received: **06/08/2001**Received By: **champra**Wanted: **Today**

Identical to LRB:

For: **Legislative Fiscal Bureau**By/Representing: **Runde (DL)**This file may be shown to any legislator: **NO**Drafter: **champra**

May Contact:

Addl. Drafters:

Subject: **State Finance - miscellaneous**

Extra Copies:

Submit via email: **NO**

Requester's email:

---

**Pre Topic:**

LFB:.....Runde (DL) -

---

**Topic:**

Tobacco securitization

---

**Instructions:**

See Attached.

---

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 06/08/2001	nhagen 06/08/2001	lrb_wpo	_____ _____			

FE Sent For:

&lt;END&gt;

**2001 DRAFTING REQUEST****Senate Amendment (SA-SB55)**Received: **06/08/2001**Received By: **champra**Wanted: **Today**

Identical to LRB:

For: **Legislative Fiscal Bureau**By/Representing: **Runde**This file may be shown to any legislator: **NO**Drafter: **champra**

May Contact:

Addl. Drafters:

Subject: **State Finance - miscellaneous**

Extra Copies:

Submit via email: **NO**

Requester's email:

---

**Pre Topic:**

LFB:.....Runde

---

**Topic:**

Tobacco securitization

---

**Instructions:**

See Attached.

---

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra	1/ kmh 6/8/01	J 6/8	J 6/8 Oak			

FE Sent For:

&lt;END&gt;



## **Legislative Fiscal Bureau**

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 5, 2001

Joint Committee on Finance

Paper #887

### **Tobacco Securitization Proposal (Tobacco Settlement Securitization)**

[LFB 2001-03 Budget Summary: Page 53, #6, Page 637, #1 and Page 638, #2]

#### **CURRENT LAW**

As a participant in the Attorneys General Master Tobacco Settlement Agreement of November, 1998, the state receives settlement payments from tobacco manufacturers participating in the agreement. These settlement payments are estimated to be \$155.5 million in 2001-02 and \$157.6 million in 2002-03. Through 2032, these payments are projected to total \$5.57 billion according to the WEFA, Inc., study, which is the leading study used by state and local governments and financial markets in analyzing the tobacco settlement payments. Effectively, all of these settlement payment revenues are deposited to the general fund, with the first \$21.5 million in 1999-00 having been transferred to the tobacco control fund to fund the Tobacco Control Board's activities.

#### **GOVERNOR**

The Governor's 2001-03 budget recommendation would allow the DOA Secretary to use the authority provided under the bill to sell, transfer or assign the state's rights to the tobacco settlement payments to the Wisconsin Health and Educational Facilities Authority (WHEFA) or to a nonstock, nonprofit corporation formed by WHEFA or the state. The bill does not specify the number of years of settlement payments the DOA Secretary would be allowed to sell, transfer or assign to the corporation. The transaction would occur in 2001-02, but would not involve the \$155.5 million in 2001-02 and \$157.6 million in 2002-03 projected to be received in the biennium. These funds could either be directly deposited into the general fund or flow through the permanent endowment fund and then be deposited to the general fund, depending on when in 2001-02 the proposed sale would occur. The funds provided to the Tobacco Control Board would also be unaffected by the securitization transaction.

After receiving the rights to the state's tobacco settlement payments, the corporation would use the newly-acquired revenue stream to back the issuance of revenue bonds. In return for the tobacco settlement payment revenue, the corporation would provide the state with the proceeds from those bonds. Under the budget bill, \$350 million of the proceeds would be deposited to the general fund in 2001-02. Proceeds from the bonds would also be deposited to an endowment fund to be invested by the State of Wisconsin Investment Board (SWIB), if the provisions of the bill would be clarified to accomplish this intent. The bill would also require that a portion of the investment earnings of the endowment fund would flow back to the general fund annually. In addition, the state could receive any annual residual tobacco settlement payments in excess of the annual debt service on the obligations issued and the ongoing transaction costs.

The DOA Secretary would be allowed to enter into a contract with any firm or individual engaged in providing financial services for the performance of any of his or her functions relating to the sale, assignment or transfer of the state's tobacco settlement rights using selection and procurement procedures established by the Secretary. The awarding of any such contract would not be subject to the state's competitive, public notice and minority-owned business bidding requirements for state contracts. Further, such contracts would not be subject to the requirements for state contracts for contractual services, including the requirement that DOA prepare a written justification that the contract for services are necessary and the Department of Employee Relations review the contracts to ensure that the services of state employees are being utilized and to review the possible use of the limited-term employees of the state in lieu of the contract.

The bill would provide \$500,000 GPR in 2001-02 from a sum sufficient appropriation created under the bill to pay the costs incurred by the DOA Secretary in any sale of the state's rights to receive any payments under the tobacco settlement agreement and in organizing and initially capitalizing any corporation or company relating to sale of the state's rights to tobacco settlement payments

## **DISCUSSION POINTS**

### **Background**

1. On April 24, 2001, this office issued a paper that provided an extensive analysis of the Governor's proposed tobacco securitization (See Legislative Fiscal Bureau budget paper #885) for an April 26, 2001, Joint Committee on Finance briefing. The paper outlined the tobacco master settlement agreement and the potential impacts to the states payments under that agreement and provided information on the characteristics of other tobacco securitization that have occurred across the country. The paper also outlined the Governor's proposed securitization transaction and addressed policy issues surrounding the proposed sale of the state's rights to its tobacco settlement payments.

2. DOA indicates that 30 years of the state's tobacco payments could secure a total of \$1.257 billion in tobacco revenue bond proceeds. The proceeds would be available for the following purposes:

**TABLE 1**

**Use of Revenue Obligation Proceeds  
(In Millions)**

<u>Purpose</u>	<u>Amount</u>
Deposit to General Fund	\$350.0
Deposit to Endowment Fund	570.0
Interest Paid from Proceeds	187.9
Debt Reserve Trust Fund	136.7
Administrative Cost of Issuance	<u>12.6</u>
Total	\$1,257.2

3. As indicated in the table, the proposal would deposit \$350 million of the bonds proceed associated with the state's sale, assignment or transfer of the state's rights to its tobacco settlement payments to the general fund in 2001-02. With the remaining funds at the state's disposal from the transaction, the Governor propose establishing a \$570 million endowment fund.

4. SWIB would invest the assets of the permanent endowment fund created under the bill. The DOA Secretary would be provided the authority to direct SWIB to invest in: (a) evidences of indebtedness, including subordinated obligations, that are secured by tobacco settlement revenues, and that are issued by any nonstock corporations or limited liability companies or by the Wisconsin Health and Educational Facilities Authority (WHEFA); and (b) certificates or other evidences of ownership interest in all or any portion of tobacco settlement revenues. SWIB would be required to invest these assets subject to any terms and conditions specified by the DOA Secretary. In investing these assets, SWIB would not be subject the general standards of fiduciary responsibility that apply to the Board when it otherwise invests money or property.

5. In securitizing its tobacco settlement payments, the state would be reducing revenues to the general fund by the projected tobacco settlement payment amounts. However, a portion of these revenues would be replaced annual under the securitization transaction outlined by DOA. Annually, after June 1, but not later than June 15, beginning in SWIB would be required to calculate monies that are available for transfer from the permanent endowment fund to the general fund. Those monies would be as follows.

- a. 8.5% of the market value of the endowment fund on June 1 of each year:
- b. all proceeds of, and investment earnings on, investments of the permanent



endowment fund made at the direction the DOA Secretary that are received in the fiscal year; and

c. all other amounts identified by the DOA Secretary as payments of residual interests to the state from the sale of the state's right to receive payments under the tobacco settlement agreement that are received in the fiscal year.

#### **Legislative Oversight of the Proposed Securitization Transaction**

6. Under the bill, most of the authority relating to the sale, transfer or assignment of the state's tobacco settlement payment is provided to the DOA Secretary. Specifically, the DOA Secretary would have the authority to do the following: (a) sell for cash or other considerations the state's right to receive any of the payments under the tobacco settlement agreement; (b) organize one or more nonstock corporations or limited liability companies in accordance with state statutes for any purpose related to the sale of the state's right to receive any of the payments under the tobacco settlement agreement; and (c) take any action necessary to facilitate and complete the sale. The DOA Secretary would also be provided authority to make various pledges and agreements on behalf of the state relating to the proposed securitization, including claims against the state.

7. As proposed, the sale, assignment or transfer of state's tobacco settlement payment stream would have a significant impact on general fund revenues of the state and the finances of the state for several biennia. Since revenue creation and the appropriation of those revenues is primarily a function of the Legislature, it may be desirable to provide more legislative oversight over this undertaking than what is provided in the bill.

8. If the Committee is concerned about the amount of authority provided the DOA Secretary under a transaction that involves such a large amount of state funds and that will impact the finances of the state for years to come, the Committee could require that before the DOA Secretary could enter into any contract to sell, assign or transfer the state's tobacco settlement payment rights the Secretary would have to submit the proposed transaction, including the structure of the transaction, estimates of the bond proceeds that would be generated from the transaction and any state pledges relating to the transaction, to the Joint Committee on Finance for approval. Because of the issues and concerns related to the timing and entry into the bond market that are associated with any borrowing transaction, the Committee could require that the transaction be submitted for approval under a 14-day passive review.

9. Conversely, because the tobacco securitization involves a complex transaction, and its exact structure would depend on the investment market as well as federal tax law, the flexibility provided the Secretary under the bill may be needed. In addition, DOA staff is involved in structuring the state's general obligation and revenue obligation programs, which also have impact on future available revenues and expenditures.

10. When the securitization transaction is complete, the DOA Secretary would deposit the bond proceeds associated with the sale in the general fund and the permanent endowment fund. However, because any Committee approval of a proposed securitization transaction would occur

before the actual transaction took place and the bonds secured by the state's tobacco payments are issued, the size of the transaction would not be known. Because the depositing and transferring of revenues among funds is typically a legislative function, in order to develop a better oversight of the deposit of the bond proceeds from the transaction, the Committee could require that after any bonds secured by the state's tobacco payments are sold, the DOA Secretary must submit a report to the Committee on the transaction and on the distribution of the bond proceeds.

### **Legislative Oversight of the Annual Transfers of Funds**

11. As mentioned earlier, the bill also provides the DOA Secretary the authority to direct SWIB to annually, after June 1, but before June 15, transfer funds from the permanent endowment fund to the general fund. Aside from the passage of this enabling legislation, no legislative oversight relating to these transfers would be provided. Because these transfers would affect general fund revenues and expenditures beyond the 2001-03 biennium, to ensure a legislative role in determining revenue and expenditure levels, additional legislative oversight could be provided.

12. To increase legislative oversight of these annual transfers, the Committee could delete the authority provided to the DOA Secretary and instead provide the Committee the authority to transfer these amounts at its fourth quarterly meeting in each fiscal year under s. 13.10 of the statutes.

### **SWIB Fiduciary Responsibilities**

13. The bill would provide the DOA Secretary authority to direct SWIB on the types of assets in which the Board could invest the permanent endowment fund. The Board would be required to invest these assets subject to any terms and conditions specified by the DOA Secretary. In investing these assets, SWIB would not be subject the general standards of fiduciary responsibility that apply to the Board when it otherwise invests money or property.

14. DOA has indicated that under these provisions, the DOA Secretary would direct SWIB to receive and hold certificates for any amounts of residual tobacco settlement payments in excess of annual debt service payments in the endowment fund. DOA contends that under its fiduciary responsibilities, SWIB could not currently hold these certificates as an asset of the fund. DOA has indicated that these provisions would need to be modified to more effectively capture this intent.

15. SWIB's investment of assets is generally subject to standards of fiduciary responsibility that apply to the Board when it otherwise invests money or property. However, SWIB's fiduciary responsibilities exist within the statutory limitations placed on the allowable investments of each fund under SWIB's control. That is, SWIB may invest assets of a fund in lower earning investments and still be within its fiduciary responsibilities, if SWIB is statutorily required to invest the assets of that fund in that type of investment.

## **DOA Contracting for Financial Services**

16. No funding detail has been developed that would support the current \$500,000 GPR expenditure estimate under a new GPR sum sufficient appropriation in DOA to fund costs incurred by the Secretary of DOA in implementing the tobacco securitization proposal. However, it could be argued that the development of a tobacco securitization agreement may be sufficiently complex that additional funding should be provided so that DOA has sufficient resources to structure this transaction advantageously. Alternatively, funding could be reserved on a contingent basis for this purpose. Under this alternative, the new GPR-funded appropriation under DOA to fund costs incurred by the Secretary of DOA in implementing the tobacco securitization proposal could be created as a biennial appropriation. The \$500,000 GPR provided under the bill in 2001-02 could be placed in reserve in the Committee's s. 20.865(4)(a) appropriation for possible release to DOA, once the Department has identified its funding needs and demonstrated that these additional costs cannot be funded from any other source.

17. The bill would allow DOA to enter into a contract with any firm or individual engaged in providing financial services for the performance of any of his or her functions relating to the sale, assignment or transfer of the state's tobacco settlement rights using selection and procurement procedures established by the Secretary. The awarding of any such contract would not be subject to the state's competitive, public notice and minority-owned business bidding requirements for state contracts.

18. The state's competitive, public notice and minority-owned business bidding requirements for state contracts are designed to foster competition for state contracts, which can reduce the costs the state pays for the services contracted for. Given the size of the securitization transaction and the value of the contract that would be entered into, the Committee could consider deleting the provisions that would exempt the contracting of financial service related to the proposed tobacco transaction from the state's competitive, public notice and minority-owned business bidding requirements for state contracts.

19. However, it could be argued that because the timing of the securitization may be crucial to state's ability to maximize its financial position in the financial markets, these state contracting requirements could hinder the state's position.

## **ALTERNATIVES TO BILL**

### **A. Securitization**

1. Approve the Governor's recommendations to securitize the state's annual tobacco settlement payments and deposit the proceeds from the transaction into a newly created segregated permanent endowment fund. Further transfer \$350 million SEG from the endowment fund to the general fund.

2. Delete the Governor's recommendation. No funding would be available from securitization and no authority would be provided to carry out a securitization of the state's tobacco payments.

<u>Alternative A2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Bill)	- \$350,000,000	- \$350,000,000	- \$700,000,000
2001-03 FUNDING (Change to Bill)	- \$500,000	- \$350,000,000	- \$350,500,000

**B. Legislative Oversight**

1. Approve the Governor's recommendation.
2. Require that before the DOA Secretary could enter into any contract to sell, assign or transfer the state's tobacco settlement payment rights the Secretary would have to submit the proposed transaction, including the structure of the transaction, the estimated bond proceed that would be generated from the sale and any state pledges relating to the sale, to the Joint Committee on Finance for approval under a 14-day passive review.

Item 20  
3. Require that after any bonds secured by the state's tobacco payments are issued, the DOA Secretary must submit a report to the Committee on the transaction and on the distribution of the bond proceeds.

4. Delete the authority provided to DOA Secretary to annually direct SWIB to transfer amounts from the permanent endowment fund and, instead, provide the Committee the authority to transfer these amounts at its fourth quarter meeting under s. 13.10 of the statutes.

**C. SWIB's Fiduciary Responsibilities**

1. Approve the Governor's recommendation.
2. Delete the authority of the DOA Secretary to direct SWIB on the types of assets in which the Board could invest the permanent endowment fund and the exemption of SWIB's fiduciary responsibilities in the investments of those assets. Specify that SWIB could hold: (a) evidences of indebtedness, including subordinated obligations, that are secured by tobacco settlement revenues, and that are issued by nonstock corporations or limited liability companies or by the Wisconsin Health and Educational Facilities Authority (WHEFA); and (b) certificates or other evidences of ownership interest in all or any portion of tobacco settlement revenues.

**D. DOA Contracting for Financial Services**

1. Approve the Governor's recommendation to provide \$500,000 GPR in 2001-02 from a sum sufficient appropriation created under the bill to pay the costs incurred by the DOA Secretary

in any sale of the state's rights to receive any payments under the tobacco settlement agreement and in organizing and initially capitalizing any corporation or company relating to sale of the state's rights to tobacco settlement payments.

2. Modify the Governor's recommendation to, instead, provide \$500,000 GPR in 2001-02 in the Joint Committee on Finance s. 20.865(4)(a) appropriation for possible release to DOA, once the Department has identified its funding needs to pay the costs incurred by the DOA Secretary in any sale of the state's rights to receive any payments under the tobacco settlement agreement and in organizing and initially capitalizing any corporation or company relating to sale of the state's rights to tobacco settlement payments. The funding could be provided when DOA demonstrates that these additional costs cannot be funded from any other source.

*Item 22*  
3. Delete the Governor's recommendation to provide \$500,000 GPR in 2001-02 for contracting for financial services related to tobacco securitization. — *Keep a sum certain*

Alternative D3	GPR
2001-03 FUNDING (Change to Bill)	- \$500,000

**E. Purchasing Requirements**

*Item 23*  
1. Approve the Governor's recommendations.

2. Delete the provisions that would exempt the contracting of financial service related to the proposed tobacco transaction from the state's competitive, public notice and minority-owned business bidding requirements for state contracts

Prepared by: Al Runde

# **Tobacco Settlement Securitization**

## ***Bill Agency***

**LFB Paper Presented at the Committee's April 26, 2001, Budget Briefing**

<u>Paper #</u>	<u>Title</u>
885	Discussion of Tobacco Securitization

tax rebates.

14. LFB Paper #123. Modification. Increase the estimated general fund opening balance for the 2001-03 biennium by \$11,700,000 to correctly account for expenditures on the sales tax rebate.

15. Motion #1640. Create an Artistic Endowment Foundation and require DOT to issue Arts Board license plates as a funding mechanism for the foundation.

16. Increase the cigarette tax by 9 cents per pack (from 59 cents to 68 cents), effective October 1, 2001. This would increase general fund tax revenues by an estimated \$29.8 million in 2001-02 and \$33.8 million in 2002-03.

17. Increase the tobacco products tax from 20% of the manufacturer's selling price to 30% effective October 1, 2001. This would increase general fund tax revenues by an estimated \$4.6 million in 2001-02 and \$6.5 million in 2002-03.

18. LFB Paper #886. Modification. Reestimate the settlement monies to be received under the MSA and deposited into the general fund or flowing through the permanent endowment fund, depending on the timing of the sale of bonds, by an additional \$2,112,000 in 2001-02 and \$2,162,000 in 2002-03.

19. LFB Paper #887. Alt. A1 (modified). Modify the Governor's recommendations to securitize the state's annual tobacco settlement payments and deposit the proceeds from the transaction into a newly-created segregated permanent endowment fund and transfer \$450 million SEG from the endowment fund to the general fund.

20. LFB Paper #887. Alt. B3 and B4. Require that after any bonds secured by the state's tobacco payments are issued, the DOA Secretary must submit a report to the Committee on the transaction and on the distribution of the bond proceeds. Delete the authority provided to the DOA Secretary to annually direct SWIB to transfer amounts from the permanent endowment fund and, instead, provide the Committee the authority to transfer these amounts at its fourth quarter meeting under s. 13.10 of the statutes.

21. LFB Paper #887. Alt. C2. Delete the authority of the DOA Secretary to direct SWIB on the types of assets in which the Board could invest the permanent endowment fund and the exemption of SWIB's fiduciary responsibilities in the investments of those assets. Specify that SWIB could hold: (a) evidences of indebtedness, including subordinated obligations, that are secured by tobacco settlement revenues, and that are issued by nonstock corporations or limited liability companies or by the Wisconsin Health and Educational Facilities Authority (WHEFA); and (b) certificates or other evidences of ownership interest in all or any portion of tobacco settlement revenues.

22. LFB Paper #887. Alt. D3. Delete the Governor's recommendation to provide \$500,000 GPR in 2001-02 for contracting for financial services related to tobacco securitization.

Keep a sum  
certificat

✓ 23. LFB Paper #887. Alt. E2. Delete the provisions that would exempt the contracting of financial service related to the proposed tobacco securitization transaction from the state's competitive, public notice and minority-owned business bidding requirements for state contracts

24. Direct DOA to convert the principal payment amounts of state general fund supported commercial paper short term borrowing program that are due in the 2001-03 biennium to long-term general obligation borrowing. Estimated lapses to the general fund would increase by \$25 million annually.

25. Provide \$75 million of general obligation bonding in a new bonding appropriation for refunding tax-supported and self-amortizing general obligation bonds. Specify that no bonds could be issued after June 30, 2003. Increase estimated GPR-Lapses by \$50 million in 2002-03 to reflect projected savings from refunding \$50 million of general fund supported bonds that otherwise would be paid off in that year.

26. Delay the payment of \$115,000,000 GPR of general school aids scheduled to be made on the third Monday in June 2003 until the fourth Monday in July, 2003. Provide \$700,000 GPR in 2002-03 in a separate sum sufficient appropriation created for this purpose to pay interest to school districts for their portion of the delayed payment. Specify that this interest payment for each school district would be calculated using the annualized state investment fund earnings rate for April 2003, to provide each school district with the amount of interest it would have earned using that earnings rate on its portion of the payment delay for the period of the delay. Provide that this payment of interest would be made by DPI on the third Monday in June, 2003. Specify that this payment of interest would be outside of revenue limits and would not count towards two-thirds funding of partial school revenues.

27. Specify that the statutory balance only for 2002-03 would be \$50 million.

28. Modify the proposed tax relief fund and tax relief credit to specify that the first \$115 million of monies received that otherwise would be deposited in the tax relief fund, would instead be used to buy back the \$115 million school aid payment delay.

29. Reserve \$44 million in 2002-03 for prescription drug legislation.

30. Exclude community service levies from the limited levy under revenue limits. Specify that the community service levy would be excluded from a district's prior year base revenues and from a district's current year revenue limit beginning with revenue limits calculated for the 2001-02 school year. Exclude these levies from the definition of partial school revenues. Delete \$11,333,900 GPR annually in general school aids to adjust two-thirds funding.

31. Eliminate the December 31, 2003, scheduled termination of the sales tax exemption on gross receipts from the sale or use of a one-time seat license for Green Bay Packers football games.

32. Create an individual income tax checkoff for donations to a local professional baseball park district (Baseball District). Provide that the revenues from the individual income tax





State of Wisconsin  
2001 - 2002 LEGISLATURE

LRBb0696/1

RAC: hml

*Scan*

LFB:.....Runde - Tobacco securitization

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

**LFB AMENDMENT**

**TO 2001 SENATE BILL 55 AND 2001 ASSEMBLY BILL 144**

*Insert 1-2*

1 At the locations indicated, amend the bill as follows:

2 1. Page 181, line 15: after that line insert:

3 2. Page 232, line 9: after that line insert:

4 “(3m) 1. If the secretary sells the state’s right to receive any of the payments  
5 under the tobacco settlement agreement, the secretary shall require, as a condition  
6 of the sale, that the purchaser notify the secretary if any bonds or other obligations  
7 are issued that are secured by any of the payments and provide the secretary with  
8 all information on the distribution of the bond or obligation proceeds.

9 2. The secretary shall submit a report to the joint committee on finance that  
10 includes all of the information provided to the secretary by the purchaser under subd.

11 1.”

3. Page 235, line 23: delete the material beginning with that line and ending with page 236, line 2.
4. Page 561, line 1: delete "A sum sufficient" and substitute "The amounts in the schedule".
5. Page 640, line 10: delete lines 10 to 13.
6. Page 641, line 4: delete "16.519" and substitute "13.101 (16)".
7. Page 641, line 12: delete "at the direction of the secretary of administration".
8. Page 641, line 18: delete "secretary of administration" and substitute "joint committee on finance".
9. Page 641, line 22: delete "16.519" and substitute "13.101 (16)".
10. Page 642, line 4: delete "1. If directed by the secretary of administration, invest" and substitute "Hold".
11. Page 642, line 6: delete "a." and substitute "1".
12. Page 642, line 10: delete "b." and substitute "2".
13. Page 642, line 12: delete lines 12 to 15.
14. Page 647, line 2: delete "16.519 (3)" and substitute "13.101 (16) (c)".
15. Page 647, line 8: delete "16.519 (4)" and substitute "13.101 (16) (d)".

**(END)**

1-2

are designated as "Taxes" in the summary and the amount of such moneys actually deposited in the general fund during the fiscal year.

(3) (a) Subject to par. (b), if the amount of moneys projected to be deposited in the general fund during the fiscal year that are designated as "Taxes" in the summary is less than the amount of such moneys actually deposited in the general fund during the fiscal year, the secretary shall annually transfer from the general fund to the budget stabilization fund 50% of the amount calculated under sub. (2).

(b) 1. If the balance of the budget stabilization fund on June 30 of the fiscal year is at least equal to 5% of the estimated expenditures from the general fund during the fiscal year, as reported in the summary, the secretary may not make the transfer under par. (a).

2. If the amount transferred under par. (a) would cause the general fund balance on June 30 of the fiscal year to be less than the general fund balance that is required under s. 20.003 (4) for that fiscal year, the secretary shall reduce the amount transferred under par. (a) to the amount that would cause the general fund balance to be equal to the minimum general fund balance that is required under s. 20.003 (4) for that fiscal year.

(4) Annually, the secretary shall transfer from the general fund to the tax relief fund the difference between the amount calculated under sub. (2) and the amount transferred to the budget stabilization fund under sub. (3).

100M

SECTION 245 of the statutes is created to read:

13.101

16.519

(a)

~~Fund transfers relating to tobacco settlement agreement.~~ (1)

In this section, "tobacco settlement agreement" means the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998.

16

## SENATE BILL 55

## SECTION 246

(b)  
(2) Annually, on June 15, beginning in 2004, the <sup>committee</sup> ~~secretary~~ shall transfer from the permanent endowment fund to the general fund an amount equal to the amount calculated by the investment board under s. 25.17 (16).

(c)  
(3) If the state has not received in fiscal year 2001-02 at least \$12,006,400 under the tobacco settlement agreement, because the <sup>of administration</sup> ~~secretary~~ under s. 16.63, has sold the state's right to receive any of the payments under the tobacco settlement agreement, the <sup>committee</sup> ~~secretary~~ shall transfer from the general fund to the tobacco control fund an amount equal to \$12,006,400 less any payments received under the tobacco settlement agreement and deposited in the tobacco control fund in that fiscal year.

(d)  
(4) If the state has not received in fiscal year 2002-03 at least \$21,169,200 under the tobacco settlement agreement, because the <sup>of administration</sup> ~~secretary~~ under s. 16.63, has sold the state's right to receive any of the payments under the tobacco settlement agreement, the <sup>committee</sup> ~~secretary~~ shall transfer from the general fund to the tobacco control fund an amount equal to \$21,169,200 less any payments received under the tobacco settlement agreement and deposited in the tobacco control fund in that fiscal year.

SECTION 247. 16.52 (intro.) (except 16.52 (title)) of the statutes is repealed.

SECTION 248. 16.52 (1), (2) and (3) of the statutes are amended to read:

16.52 (1) ~~KEEP SEPARATE ACCOUNTS~~ ACCOUNTS OF MONEYS AND FUNDS. ~~Keep The~~  
~~department shall keep~~ in its office separate accounts of the revenues and funds of the state, and of all moneys and funds received or held by the state, and also of all encumbrances, expenditures, disbursements and investments thereof, showing the particulars of every encumbrance, expenditure, disbursement and investment.

(2) ~~REVENUE ACCOUNTS.~~ ~~Place~~ The department shall place revenue estimates on the books of accounts and credit actual receipts against them as of the last day of each quarter. Except as provided in s. 20.002 (2), any receipts applying to a prior



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRBb0696/1  
RAC:hmb/jf

2

Today

RMR

LFB:.....Runde (DL) - Tobacco securitization

\$ cjs

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 2001 SENATE BILL 55 AND 2001 ASSEMBLY BILL 144

1 At the locations indicated, amend the bill as follows:

2 1. Page 181, line 15: after that line insert:

3 "SECTION 100m. 13.101 (16) of the statutes is created to read:

4 13.101 (16) (a) In this subsection, "tobacco settlement agreement" means the  
5 Attorneys General Master Tobacco Settlement Agreement of November 23, 1998.

6 (b) Annually, on June 15, beginning in 2004, the committee shall transfer from  
7 the permanent endowment fund to the general fund an amount equal to the amount  
8 calculated by the investment board under s. 25.17 (16).".

9 (c) If the state has not received in fiscal year 2001-02 at least \$12,006,400  
10 under the tobacco settlement agreement, because the secretary of administration,  
11 under s. 16.63, has sold the state's right to receive any of the payments under the  
12 tobacco settlement agreement, the committee shall transfer from the general fund

1 to the tobacco control fund an amount equal to \$12,006,400 less any payments  
2 received under the tobacco settlement agreement and deposited in the tobacco  
3 control fund in that fiscal year.

4 (d) If the state has not received in fiscal year 2002-03 at least \$21,169,200  
5 under the tobacco settlement agreement, because the secretary of administration,  
6 under s. 16.63, has sold the state's right to receive any of the payments under the  
7 tobacco settlement agreement, the committee shall transfer from the general fund  
8 to the tobacco control fund an amount equal to \$21,169,200 less any payments  
9 received under the tobacco settlement agreement and deposited in the tobacco  
10 control fund in that fiscal year".

11 2. Page 232, line 9: after that line insert:

12 "(3m) 1. If the secretary sells the state's right to receive any of the payments  
13 under the tobacco settlement agreement, the secretary shall require, as a condition  
14 of the sale, that the purchaser notify the secretary if any bonds or other obligations  
15 are issued that are secured by any of the payments and provide the secretary with  
16 all information on the distribution of the bond or obligation proceeds.

17 2. The secretary shall submit a report to the joint committee on finance that  
18 includes all of the information provided to the secretary by the purchaser under subd.  
19 1."

20 3. Page 235, line 23: delete the material beginning with that line and ending  
21 with page 236, line 2.

22 4. Page 561, line 1: delete "A sum sufficient" and substitute "The amounts in  
23 the schedule".

24 5. Page 640, line 10: delete lines 10 to 13.

✓ #. Page 226, line 1: delete lines 1 to 3.

6. Page 641, line 4: delete "16.519" and substitute "13.101 (16)".
7. Page 641, line 12: delete "at the direction of the secretary of administration".
8. Page 641, line 18: delete "secretary of administration" and substitute "joint committee on finance".
9. Page 641, line 22: delete "16.519" and substitute "13.101 (16)".
10. Page 642, line 4: delete "1. If directed by the secretary of administration, invest" and substitute "Hold".
11. Page 642, line 6: delete "a." and substitute "1.".
12. Page 642, line 10: delete "b." and substitute "2.".
13. Page 642, line 12: delete lines 12 to 15.

- 14.** Page 647, line 2: delete “16.519 (3)” and substitute “13.101 (16) (c)”.
- 15.** Page 647, line 8: delete “16.519 (4)” and substitute “13.101 (16) (d)”.

**(END)**

**Emery, Lynn**

---

**From:** Emery, Lynn

**Sent:** Sunday, June 10, 2001 1:34 PM

**To:** Renner, Darin

**Subject:** LRB-b0696/2 (attached)



LFB:.....Runde (DL) – Tobacco securitization

FOR 2001–03 BUDGET — NOT READY FOR INTRODUCTION

**LFB AMENDMENT**

**TO 2001 SENATE BILL 55 AND 2001 ASSEMBLY BILL 144**

1           At the locations indicated, amend the bill as follows:

2           **1.** Page 181, line 15: after that line insert:

3           “**SECTION 100m.** 13.101 (16) of the statutes is created to read:

4           13.101 (16) Annually, on June 15, beginning in 2004, the committee shall  
5           transfer from the permanent endowment fund to the general fund an amount equal  
6           to the amount calculated by the investment board under s. 25.17 (16).”.

7           **2.** Page 226, line 1: delete lines 1 to 3.

8           **3.** Page 232, line 9: after that line insert:

9           “(3m) 1. If the secretary sells the state’s right to receive any of the payments  
10          under the tobacco settlement agreement, the secretary shall require, as a condition  
11          of the sale, that the purchaser notify the secretary if any bonds or other obligations

1 are issued that are secured by any of the payments and provide the secretary with  
2 all information on the distribution of the bond or obligation proceeds.

3 2. The secretary shall submit a report to the joint committee on finance that  
4 includes all of the information provided to the secretary by the purchaser under subd.  
5 1.”.

6 4. Page 235, line 23: delete the material beginning with that line and ending  
7 with page 236, line 2.

8 5. Page 561, line 1: delete “A sum sufficient” and substitute “The amounts in  
9 the schedule”.

10 6. Page 640, line 10: delete lines 10 to 13.

11 7. Page 641, line 4: delete “16.519” and substitute “13.101 (16)”.

12 8. Page 641, line 12: delete “at the direction of the secretary of administration”.

13 9. Page 641, line 18: delete “secretary of administration” and substitute “joint  
14 committee on finance”.

15 10. Page 641, line 22: delete “16.519” and substitute “13.101 (16)”.

16 11. Page 642, line 4: delete “1. If directed by the secretary of administration,  
17 invest” and substitute “Hold”.

18 12. Page 642, line 6: delete “a.” and substitute “1.”.

19 13. Page 642, line 10: delete “b.” and substitute “2.”.

20 14. Page 642, line 12: delete lines 12 to 15.

21 (END)